

Salisbury, North Carolina
June 14, 2012

RECESSED MEETING OF JUNE 13, 2012

Continued
June 14, 2012
9:00 a.m.

The City Council of the City of Salisbury met at 9:00 a.m., Thursday, June 14, 2012 in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street pursuant to the recess of the Regular meeting of June 13, 2012, with the following members being present and absent:

PRESENT: Mayor Paul B. Woodson, Jr., Presiding; Mayor Pro Tem Susan W. Kluttz, Council Members Maggie A. Blackwell, William (Pete) Kennedy, and William (Brian) Miller; City Manager Doug Paris and City Clerk Myra B. Heard.

ABSENT: City Attorney F. Rivers Lawther, Jr.

Mayor Woodson and members of City Council met at 9:00 a.m. in the Salisbury-Rowan Utilities Conference Room located at 1 Water Street. City Clerk Myra Heard provided the invocation.

BUDGET REVIEW

City Manager Doug Paris indicated Council requested he bring information regarding the cuts that would be required to implement a \$10 garbage fee or a \$7 garbage fee.

Mr. Paris reviewed the recommended cuts to provide for a \$10 garbage fee:

Special Projects:	
Cut Innes Street Corridor Project/Left turns at the square	\$350,000
Cut parking lot improvements at various locations	\$45,000
Cut upgrade of ground mounted signs	\$21,000
Reduce funding for Human Resources Payroll software – spread over two years	\$84,000
Total	<u>\$500,000</u>

Mr. Paris reviewed the cuts necessary for a \$7 garbage fee:

Special Projects:	
Cut Innes Street Corridor Project/Left turns at the square	\$350,000
Cut parking lot improvements at various locations	\$45,000
Cut upgrade of ground mounted signs	\$21,000
Defer Human Resources Payroll software to FY2014	\$204,145
Service Cuts:	
Close City Park Center and cease all programming (net)	<u>\$176,500</u>
Total	<u>\$796,645</u>

Mr. Paris stated staff reviewed the last citizen survey to determine where it would be acceptable to cut services. He noted citizens indicated Fire, Police, Streets and Trash were service areas that should not be cut. He indicated the areas where citizens felt could occur were Parks and Recreation, Planning and Development, and Yard Waste.

Mr. Paris commented cuts were made to Yard Waste in previous years but were reversed when citizens complained about the leaf pick-up. He added he is establishing a Committee on Service Delivery to look at this service area during FY2012-2013 to make recommendations for the next budget.

Mr. Paris stated cuts were made to Planning and Development Services last year and since that department leads many of the FY2012-2013 initiatives, including Express Review and One-Stop Shop, he does not think it is appropriate to cut.

Mr. Paris indicated the results of the Citizen Survey indicated 44% of those responding wished to maintain Parks and Recreation, and 43% thought Parks and Recreation could be reduced.

Councilmember Blackwell clarified the Landscape Division was moved to Parks and Recreation, and the total employee count was reduced by 9. She indicated she receives many calls regarding landscaping, and noted closing City Park goes against Council's goal of finding alternatives for youth. Mayor Pro Tem Klutz added the City has been working to reduce gang violence and one of the recommendations from the citizen workshops was more recreation.

Mayor Woodson commented he knows the City Park facility is used, and he asked if Parks and Recreation Director Gail Elder White had its use data. Ms. Elder White stated citywide participation is 165,000 and City Park is approximately one-fourth of that figure.

Mr. Paris indicated another option is to combine Hall Gym and Miller Center.

Councilmember Miller asked about the computer replacement schedule and noted it was changed from a three-year cycle to a four-year cycle last year. Assistant City Manager for Finance John Sofley indicated the cycle was maintained at 4 years in the proposed budget. Mr. Miller asked if the computers are arbitrarily replaced or if staff looks at the need. Mr. Sofley responded staff looks at specific need, such as the proposed software for Human Resources.

Mr. Paris stated Congestion, Mitigation and Air Quality (CMAQ) projects that require a match could be deferred until next year, but the City would be required to pick-up the \$90,000 cost next year.

Mr. Paris noted the local grant programs for the Municipal Service District, Innes Street grant, and Historic Preservation grants total approximately \$70,000 and could be suspended for one year.

Mr. Paris indicated computer replacement is handled similarly to vehicle replacement, and each year funds are transferred into the replacement fund to replace the computers at the end of their life cycle.

Councilmember Miller indicated if he had to choose between Parks and Recreation or a slower computer, he will choose a slower computer. He added the City does not need the latest software releases.

Councilmember Kennedy pointed out efficiency is important and slower computers would waste time.

Mr. Sofley commented the City uses software from third party providers for Fire, Police and Code Enforcement and as the vendors upgrade, the City is forced to do the same because the existing version is no longer supported. He noted the Human Resources software can be deferred another year because the City has not been given a date the existing software will no longer be supported.

Ms. Blackwell asked if revenues from profit centers had been discussed, and she asked if rates have been raised for Telecommunications and Transit to other municipalities.

Mr. Paris noted the charge for use of the radio system is highly contested by Rowan County but noted when changes are made to the system, changes in fees will be reviewed.

Mr. Paris stated he has asked the Transit Division to look at its service and ridership. He commented Lash Drive residents have requested service and those citizens pay to subsidize the Transit System yet the City cannot provide service to them, while it provides service to two towns who do not contribute to the revenues. He added Transit fees and Telecommunication fees are both options to review.

Mayor Woodson indicated he would prefer the \$7 garbage fee and for Mr. Paris to find funds in order to keep City Park open. He added he would like to see facts about who is using the center, and he requested a study to determine its actual use. Mr. Paris stated the CMAQ projects and grant funding would help make up some of the difference.

By Consensus, Council agreed with the \$7 garbage fee and to defer the CMAQ and downtown grants rather than closing City Park.

STORMWATER

City Manager Doug Paris indicated there has been discussion regarding the \$37,500 figure he has stated the City could be fined for stormwater permit violations, and he noted this amount is the figure stated in the City's permit. He indicated most metropolitan cities have a stormwater program in place, but Salisbury is one of the last cities to establish a program. He noted if a city has a program in place, the North Carolina Department of Environment and Natural Resources (NCDENR) will work with the city, and if there is a fine it is likely to be much smaller. He stated the City has had an initial inspection and knew it would not be fined because NCDENR does not fine on the first inspection. He added he wants the City to be complaint when NCDENR inspected again.

Mr. Paris pointed out the City has programs in place to ensure it is compliant with the North Carolina Department of Labor (DOL), Occupational Safety and Health Administration (OSHA), National Institute for Occupational Safety and Health (NIOSH), and Water and Wastewater Treatment. He indicated the City must have the same view of compliance for NCDENR. Mr. Paris indicated as long as a program is in place, he thinks NCDENR will work with the City on its compliance.

Street Division Manager Craig Powers reviewed proposed cuts to the Stormwater Utility:

Reduce Contracted Repairs for Capital Improvements	\$325,000
Move office staff to existing up-fitted office spaces	\$20,900
Cut Legal Fees	\$50,000
Reduce Street Sweeper Landfill	\$10,000
Total	<u>\$405,900</u>

Mr. Paris reviewed the new rate models for the Hybrid option for both a Cap and discount, and the Tiered Schedule.

Option 1: Hybrid:

- Offer 20% discount to all businesses with minimum of \$4.25 per moth
- Cap the amount of billable ERU's at 80
- This benefits 71 parcels that are over 80 ERU's
- Max amount capped at \$340 per month

Option 2: Tiered System:

Class	ERU	Fee	Previous Fee
Residential	Flat	\$5	\$4.25
Biz 1 Median – Typical	1-5	\$10	\$4.25-\$21.25
Biz 2 Averaged – Skewed	6-25	\$25	\$25.50-\$106.25
Biz 3	26-50	\$75	\$110.50-\$212.50
Biz 4	51-100	\$150	\$221.00- \$412.25
Biz 5 Outliers	101+	\$300	\$429.25-\$4,000+

Mr. Paris compared the Original Model versus Hybrid Model:

Original Fee *26,000 square feet = 10.4 ERU's	
	Original
Kannapolis	\$32.00
Concord	\$35.69
Winston-Salem	\$41.30
Archdale	\$41.30
Salisbury	\$44.15
Charlotte	\$74.02

Hybrid Fee *26,000 square feet = 10.4 ERU's	
	Original
Kannapolis	\$32.00
Concord	\$35.69
Salisbury	\$37.50
Winston-Salem	\$41.30
Archdale	\$41.30
Charlotte	\$74.02

He then reviewed the Original Model versus the Tiered System:

Original Fee *26,000 square feet = 10.4 ERU's	
	Original
Kannapolis	\$32.00
Concord	\$35.69
Winston-Salem	\$41.30
Archdale	\$41.30
Salisbury	\$44.15

Tiered Fee *26,000 square feet = 10.4 ERU's	
	Original
Salisbury	\$25.00
Kannapolis	\$32.00
Concord	\$35.69
Winston-Salem	\$41.30
Archdale	\$41.30

Charlotte	\$74.02
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Charlotte	\$74.02
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Mr. Paris also compared the Hybrid Model versus the Tiered System:

Hybrid Fee *26,000 square feet = 10.4 ERU's	
	Original
Kannapolis	\$32.00
Concord	\$35.69
Salisbury	\$37.50
Winston-Salem	\$41.30
Archdale	\$41.30
Charlotte	\$74.02

Tiered Fee *26,000 square feet = 10.4 ERU's	
	Original
Salisbury	\$25.00
Kannapolis	\$32.00
Concord	\$35.69
Winston-Salem	\$41.30
Archdale	\$41.30
Charlotte	\$74.02

Mayor Pro Tem Klutz stated she prefers the Tiered System but does not want to shift the burden to residential properties by increasing the residential rate. She stated she could not support a residential fee higher than \$4.25.

Councilmember Miller asked about the one-time cost to come into compliance versus those costs that maintain the system. He noted the \$405,900 in cuts and asked if the on-going maintenance would be \$3,000,000. Mr. Sofley agreed and noted it would be \$3,000,000 as a minimum. Mr. Miller asked how the money would be spent.

Mr. Paris stated it would be operating and maintaining the system, street cleaning, cleaning leaves out of the system, and mapping.

Mr. Miller indicated Council has agreed to add \$.02 back to the tax rate and suggested adding the additional \$.0039 to bring the rate to revenue neutral. He reiterated he believes any cost that is a one-time cost that can be taken out of the budget should be taken out. He asked if there are one-time costs that can be covered by the Water/Sewer fund since they are closely related.

Mayor Woodson then called a short recess for staff to review the data.

Mayor Woodson called the meeting back to order.

Mr. Sofley stated staff has looked at the items included in the budget, and staff believes what is included is what is needed for monitoring and making improvements to be in compliance.

Mr. Sofley indicated the additional \$.0039 would generate approximately \$103,000. He noted this amount is close to the cost of changing the residential fee from \$4.25 to \$5.00, and if Council chose to go to a \$.0239 tax rate, it could keep the residential rate at \$4.25 and use the Tiered model.

Mr. Sofley stated the Water/Sewer fund has funds generated by revenue bonds

and the funds are legally restricted for use by Water/Sewer only.

Mr. Miller asked if implementation of the stormwater program could be delayed six months.

Mr. Powers stated the City's permit was issued in December 2011 and there are certain documents that must be submitted by December 2012. Mr. Paris noted there are streams that must be measured and cleaned and then downstream measurements must be made and it takes times. He stated he believes between the Cap and discount, which no one else in North Carolina has implemented, the proposed program is innovative, appropriate and consistent with Council's direction.

Mayor Woodson indicated most of the businesses in the City fall in the \$10 to \$25 per month range. Mr. Paris agreed.

Council discussed how the stormwater fee will be generated and billed and it was noted a building or facility with multiple buildings on one parcel will be billed as one, but if the facility has several different locations, each location would be billed.

Mr. Kennedy asked how much the Tiered system will generate. Mr. Sofley indicated it will generate approximately \$1.3 million.

By Consensus, Council agreed to the Tiered System, a \$4.25 rate for residential and \$.0239 tax rate.

SECOND CREEK WASTEWATER TREATMENT PLANT

Salisbury-Rowan Utilities (SRU) Director Jim Behmer discussed the Second Creek Wastewater Treatment Plant (WWTP) Elimination Project with Council. Mr. Behmer indicated staff has found a way to move forward with the project that will not require a rate increase. He gave an overview of the project:

- Second Creek WWTP is a package plant inherited by Salisbury-Rowan Utilities in 2004
- The plant has had multiple Notice of Violations (NOV) in the past four years and discharges into 303(d) listed impaired stream
- NOV's occurring due to inadequate hydraulic capacity during periods of peak demand
- Due to the Environmental Protection Agency's (EPA) Total Maximum Daily Load (TMDL) process for High Rock Lake, stricter limits are anticipated that the current process cannot achieve
- Current National Pollutant Discharge Elimination System (NPDES) permit expired March 31, 2014

Mr. Behmer indicated SRU received a \$600,000 grant award from the Clean

Water Management Trust Fund (CWMTF), along with a commitment of \$200,000 from Rowan-Salisbury Schools and \$200,000 to \$360,000 from Magna (through a Community Development Block Grant (CDBG)). He reviewed the Project budget:

Total Project Estimate	\$1,771,700
Funding Sources:	
CWMTF (grant)	\$600,000
Magna/CDBG	\$360,000
Rowan-Salisbury Schools	\$200,000
	<u>\$1,160,000</u>
SRU/City	\$611,700

Mr. Behmer noted the City's portion for the capital project can come from Fund Balance or through the Operations and Maintenance savings over 13 years, which is unbudgeted revenue.

City Manager Doug Paris recommended funding the project through a payback of 13 years, because it would have no negative financial impact to the fund sustainability.

Councilmember Blackwell asked why SRU would have unbudgeted revenue. Mr. Paris explained there are peak users in the system but there is no way to know when the user will use water. He noted the City does not budget for peak usage because if the use is not met then there would be a deficit. He added last year the City budgeted lower than the peak use which created unbudgeted revenue.

By Consensus, Council agreed to move forward with the project using a 13 year payback from unbudgeted revenues.

Mayor Woodson asked for a motion to set the tax rate at \$.0239.

Thereupon, Mr. Miller made a **motion** to set the property tax rate at \$.0239. Ms. Kluttz seconded the motion. Messrs. Kennedy, Miller, Woodson and Ms. Blackwell and Kluttz voted AYE. (5-0)

Mayor Woodson indicated Council reluctantly has a consensus to set the garbage fee at \$7 per month, with General Fund cuts coming from CMAQ and façade grants and leaving City Park open.

Thereupon, Mr. Miller made a **motion** to establish a \$7 trash fee. Ms. Kluttz seconded. Messrs. Kennedy, Miller, Woodson and Ms. Blackwell and Kluttz voted AYE. (5-0)

Thereupon, Mayor Woodson made a **motion** to put the stormwater utility in place with a Tiered System. Mr. Miller seconded the motion. Mayor Woodson restated the motion to use a Tiered System and a rate of \$4.25 for residential. Mr. Miller agreed. Messrs. Kennedy, Miller, Woodson and Meses. Blackwell and Kluttz voted AYE. (5-0)

Mayor Woodson commented Council wants the new City Manager to be successful, and this budget process has been the hardest since he has been in office. He stated department heads need to review their budgets to determine what can be cut and to develop a plan to reduce expenses. He challenged the Management Team to make a presentation at Council's retreat for their plan to reduce costs.

Mr. Miller agreed with Mayor Woodson and noted it will take interdepartmental cooperation. He added the City must do all it can to demonstrate it is being as efficient as possible.

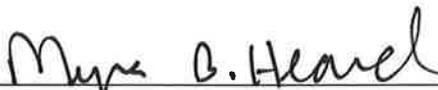
Mayor Pro Tem Kluttz stated this was also one of the most difficult budgets she has participated in during her 15 years in office. She noted she is proud of City Manager Doug Paris and the Management Team because she knows a great deal of work went into the budget. She noted this was one of the most critical points the City has reached. Ms. Kluttz thanked Mr. Paris for his work to bring the budget to where Council wanted it to be.

ADJOURNMENT

Motion to adjourn the meeting was made by Ms. Kluttz, seconded by Mr. Kennedy. All council members in attendance agreed unanimously to adjourn. The meeting was adjourned at 10:56 a.m.



Paul B. Woodson, Jr., Mayor



Myra B. Heard, City Clerk